

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
P. O. Box 146760  
Salt Lake City, UT 84114-6760  
Telephone: (801) 530-6600  
FAX: (801) 530-6980

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**BEFORE THE DIVISION OF SECURITIES  
OF THE DEPARTMENT OF COMMERCE  
OF THE STATE OF UTAH**

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**IN THE MATTER OF:**

**ROYAL AMERICAN MANAGEMENT  
LLC,  
THEODORE L. HANSEN,  
ROYAL AMERICAN REAL ESTATE  
HOLDINGS LLC, and  
CHARLES W. HANNA,**

**Respondents.**

**ORDER TO SHOW CAUSE**

Docket No. SD-06-0033

Docket No. SD-06-0034

Docket No. SD-06-0035

Docket No. SD-06-0036

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It appears to the Director of the Utah Division of Securities (Director) that Royal American Management LLC, Theodore L. Hansen, Royal American Real Estate Holdings LLC, and Charles W. Hanna (collectively Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the investigation of this

matter by the Utah Division of Securities (the Division), the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

### **STATEMENT OF JURISDICTION**

1. Jurisdiction over the Respondents and subject matter is based on allegations that the Respondents violated § 61-1-1 (Securities Fraud) of the Act while engaged in the offer and sale of securities in Utah.

### **STATEMENT OF FACTS**

#### **THE PARTIES**

2. Royal American Management LLC (“Royal American”) is a an assumed business name of Theodore L. Hansen or Royal American Real Estate Holdings, LLC, or is a business entity whose real identity or organization is presently unknown. Royal American is not organized under the laws of this State, but appears to be doing business in Orem, Utah, and possibly elsewhere.
3. Theodore L. Hansen (Hansen) resides in Utah County, Utah. At all times relevant to the matter stated herein, Hansen held himself out as a representative of Royal American.
4. Royal American Real Estate Holdings LLC (Real Estate Holdings) is a Utah limited liability company in good standing. Real Estate Holdings registered as a Utah limited liability company on May 11, 2005. Real Estate Holdings’ business address is 1178 South State Street in Orem, Utah. Charles W. Hanna is the registered agent for Real Estate Holdings and one of two members.

5. Charles W. Hanna (Hanna) resides in Utah County, Utah.

#### **GENERAL ALLEGATIONS**

6. On June 30, 2005, Respondents solicited \$100,000 from a Utah investor (Investor) for an earnest money deposit to bid on two parcels of real property at Thanksgiving Point in Utah County. Respondents gave Investor a promissory note in return for the \$100,000 and promised repayment of the principal plus \$40,000 in 18 days of the loan. Promissory notes are securities under the Act.
7. Hansen first talked to Investor, a real estate agent, about the investment in June 2005. Hansen wanted to make an offer to buy the properties and asked Investor to act as real estate agent for Real Estate Holdings, but Hansen did not have the \$200,000 needed for an earnest money deposit and asked Investor to come up with half.
8. Hansen told Investor he could pay half of the \$200,000 earnest money by July 18, 2005, the date set for making the offer, and would repay her the principal plus an additional \$40,000 by that date because he would be sharing a legal settlement with his mother who was soon to be receiving a “large amount of money.”
9. Investor did not have the \$100,000 either so she asked a friend, T. B., for the money. T. B. agreed to loan the money, got the money through a home equity loan and, on or about June 30, 2005, T. B. gave Investor a check for \$100,000.
10. Investor got a cashier’s check made payable to Royal American with the money she got from T. B and gave the cashier’s check to Hansen for the earnest money deposit.

11. In exchange for the \$100,000, “Royal American” gave Investor a promissory note, dated June 30, 2005, and signed by Hanna. Under the terms of the note, “Royal American” would pay Investor \$140,000 on or before July 18, 2005. However, Respondents knew that T. B. was also owed the money and interest.
12. On or about July 5, 2005, Hanna signed a document entitled “Commercial Real Estate Purchase Contract” (the Contract) to buy two parcels of land at Thanksgiving Point. On July 6, 2005, Hanna gave Investor the Contract, along with a check for \$200,000 made payable to her company Realty Plus. The check was post dated to July 18, 2005.
13. On July 18, 2005, the day of the post dated check and the day when Real Estate Holdings was to make the offer, Investor called Hansen’s bank to see if the \$200,000 check would clear. Investor learned that the check would not clear.
14. Investor contacted Hansen about the check. Hansen told Investor the check did not clear because the “large amount of money” he was expecting from his mother did not come through and he could not pay his half of the earnest money, repay her the \$100,000 or the \$40,000 by July 18, 2005 as agreed.
15. Because Hansen did not come up with his half of the \$200,000 earnest money deposit, he proposed that they cancel the original contract for the purchase of the two parcels, and enter into a new contract to make an offer to buy only one parcel of land at Thanksgiving Point, using the \$100,000 already provided by Investor as earnest money. Investor agreed to the proposal, but did not agree upon new terms for repayment.

16. On August 9, 2005, Investor received another check for \$100,000 from Real Estate Holdings, made payable to Realty Plus. The check was to be used as an earnest money deposit on the new offer.
17. On or about August 16, 2005, Hanna signed a “Commercial Real Estate Purchase Contract” for the new offer (the Second Contract), and gave it to Investor.
18. On August 18, 2005, Investor called Zions Bank to see if the \$100,000 check from Real Estate Holdings would clear. Zions Bank told Investor it would clear so Investor deposited the check into Realty Plus’ trust account at Western Community Bank.
19. About a week later, Western Community Bank told Investor the \$100,000 check from Real Estate Holdings did not clear and had been returned for insufficient funds on August 22, 2005.
20. Investor tried several times to contact Hansen about the money without success so she talked to Hanna. Hanna did not give her an adequate explanation as to where the money had gone.
21. On or about August 29, 2005, Investor cancelled the Second Contract.
22. To date, T. B. has not received any of the \$100,000 he loaned to Investor, but has received only \$2,250 in interest from Respondents. One check for \$1,500 was dated August 25, 2005, and was from Royal American Web Sales LLC<sup>1</sup>. The second check

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<sup>1</sup> Royal American Web Sales LLC became registered as a Utah limited liability company on July 13, 2005, and its registration is currently active. Royal American Web Sales LLC’s

was for \$750. The last check T. B. received from Real Estate Holdings, dated February 15, 2006, did not clear the bank, and was for \$1,822.19.

23. Investor has received \$21,561.12 in interest and principal payments from the Respondents, all of which Investor paid to T. B. One check for \$10,000, dated September 6, 2005, was from Tamarack Holdings, LLC<sup>2</sup>. One check for \$780.56, dated September 20, 2005, was from Real Estate Holdings. The last check Investor received, dated October 19, 2005, was for \$10,780.56, and was from Real Estate Holdings.
24. Since October 2005, Investor has received no payments of principal or interest on her investment with Respondents.

#### Use of Investor's Money

25. On June 30, 2005, Hansen deposited Investor's \$100,000 check into Real Estate Holdings' checking account at Zions Bank. On June 29, 2005, the day before depositing the \$100,000 check, the balance in Real Estate's checking account at Zion's Bank was \$21,798.07.

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business address is 1178 South State Street in Orem, Utah, which is also the business address for Real Estate Holdings. Hanna is the registered agent and sole member of Royal American Web Sales LLC.

<sup>2</sup> Tamarack Holdings, LLC became registered as a Utah limited liability company on August 16, 2005, and its registration is currently active. Tamarack Holdings, LLC's business address is 1178 South State Street in Orem, Utah, which is also the business address for Real Estate Holdings and Royal American Web Sales LLC. Hanna is the registered agent for Tamarack Holdings, and Kara Hansen, Hansen's wife, is its sole manager and member.

26. Upon depositing the check, on June 30, 2005, at least six checks, totaling \$91,297, were written against Real Estate Holdings' checking account at Zion's Bank. One check for \$70,000, was made payable to "Hiddenvale Property Management," for a "Loan to Hiddenvale." Another check for \$6,372 was made payable to "Cletus & Phyllis Hoer" for "June Rent." A third check for \$2,000 was made payable to "David L. Turner" for "Payroll." The three other checks were counter checks totaling \$12,925, made payable to "Cash," "John H. Jacob Zions Bank," and "Vintage Office." Vintage Office is one of Hansen's companies.
27. Before July 11, 2005, several other checks were written against the account. One check for \$2,000 was made payable to "Eddie McMullin" for "Cash - Office." Another check for \$5,000 was made payable to "Richard Anderson" for "Buffalos", and another for \$5,000 was made payable to "Prudential Utah Real Estate" for "Highland Home."
28. On July 11, 2005, the balance in Real Estate Holdings' checking account was \$10,448.33.
29. At no time during the month of July 2005, when Investor was to be paid back and the real estate purchase was to close, was the close of business because this is when the balance is recorded or something, at the "close of business" balance in Real Estate Holdings' checking account at or above \$100,000.
30. On August 16, 2005, the day Hanna signed the Second Contract, the account balance was only \$1,354.35.

31. The only day in August 2005 on which the close of business balance was above \$100,000, was August 17. The close of business balance on August 18, the day Investor deposited the \$100,000 check for the Second Contract into her trust account, was \$47,638.49, against which Investor was trying to collect \$100,000.

### **CAUSES OF ACTION**

#### **COUNT I**

#### **Securities Fraud under § 61-1-1 of the Act (Royal American, Hansen, Real Estate Holdings, and Hanna)**

32. The Division incorporates and re-alleges paragraphs 1 through 31.
33. The promissory note offered and sold by Respondents to Investor is a security under § 61-1-13 of the Act.
34. In connection with the offer and sale of a security to Investor, Respondents, directly or indirectly, made false statements to Investor, including, but not limited to, the following:
- a. That in the next 18 days, Hansen was going to receive a large amount of money from his mother after she received a legal settlement, when Hansen had no reasonable basis on which to make this representation; and
  - b. After the first purchase of real property fell through, Hansen told Investor he wanted to proceed with the purchase of one parcel of land using Investor's money, when, in fact, Respondents had already spent the majority, if not, all, of Investor's money, making this representation is false.



35. In connection with the offer and sale of a security to Investor, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following:
- a. That instead of using Investor's money toward the purchase of real property, as agreed, Respondents would use Investor's money for various things, such as:
    - i. To pay Real Estate Holdings' rent;
    - ii. To pay Royal Estate Holdings' payroll;
    - iii. To make a loan to a company by the name of Hiddenvale Property Management;
    - iv. To obtain cash;
    - v. To pay an individual by the name of John H. Jacobs; and
    - vi. To pay Hansen's company, Vintage Office.
  - b. That Hansen owed \$3,598,469.63 in unpaid taxes to the state of Utah from 11 tax liens filed since September 2003;
  - c. That Hansen had a total of \$9,318,634.20 in unpaid outstanding judgments against him, from 20 separate civil suits;
  - d. That Hanna owed \$11,157.75 in unpaid taxes to the state of Utah from 16 tax liens filed since April 1990.
  - e. That Hanna had 2 outstanding civil judgments against him, totaling \$19,002, and 4 pending civil actions.

- f. Some or all of the information typically provided in an offering circular or prospectus regarding Royal American and Real Estate Holdings, such as:
- i. The business and operating history of Royal American and Real Estate Holdings;
  - ii. Where Investor's \$100,000 would be held, and under what conditions;
  - iii. Identities of the principals for Royal American and Real Estate Holdings, along with their experience in this type of business;
  - iv. Agent commissions or compensation for selling the investment;
  - v. Financial statements for the companies;
  - vi. The market for the product of the companies;
  - vii. The nature of the competition for the product;
  - viii. Current capitalization of the issuer of the securities;
  - ix. A description of how the investment would be used by the business;
  - x. Risk factors for investors;
  - xi. The number of other investors;
  - xii. The minimum capitalization needed to participate in the investment;
  - xiii. The disposition of any investments received if the minimum capitalization were not achieved;
  - xiv. The liquidity of the investment;
  - xv. Discussion of pertinent suitability factors for the investment;

- xvi. The proposed use of the investment proceeds;
- xvii. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and
- xix. Whether the person selling the investment was licensed.

36. Based on the above, Respondents willfully violated § 61-1-1 of the Act.

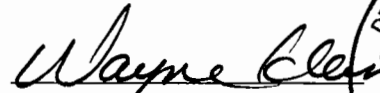
### **ORDER**

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, July 31, 2006, at 10:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah. If Respondents fail to file an answer or appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondents may show cause, if any they have:

- a. Why “Royal American Management LLC,” Theodore L. Hansen, Royal American Real Estate Holdings LLC, and Charles W. Hanna should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

- b. Why "Royal American Management LLC," Theodore L. Hansen, Royal American Real Estate Holdings LLC, and Charles W. Hanna should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;
- c. Why "Royal American Management LLC" should not be ordered to pay a fine of ten thousand dollars (\$10,000) to the Division;
- d. Why Theodore L. Hansen should not be ordered to pay a fine of one-hundred thousand dollars (\$100,000) to the Division;
- e. Why Royal American Real Estate Holdings LLC should not be ordered to pay a fine of ten thousand dollars (\$10,000) to the Division; and
- f. Why Charles W. Hanna should not be ordered to pay a fine of one-hundred thousand dollars (\$100,000) to the Division.


DATED this 26<sup>th</sup> day of June, 2006.



WAYNE KLEIN  
Director, Utah Division of Securities



Approved:

  
JEFFREY BUCKNER  
Assistant Attorney General

S. J.

Division of Securities  
Utah Department of Commerce  
160 East 300 South  
P. O. Box 146760  
Salt Lake City, UT 84114-6760  
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**BEFORE THE DIVISION OF SECURITIES  
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LLC;  
THEODORE L. HANSEN;  
ROYAL AMERICAN REAL ESTATE  
HOLDINGS LLC; and  
CHARLES W. HANNA;**

**Respondents.**

**NOTICE OF AGENCY ACTION**

**Docket No. SD-06-0033**

**Docket No. SD-06-0034**

**Docket No. SD-06-0035**

**Docket No. SD-06-0036**

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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6(1). In addition, you are required by § 63-46b-6(3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.


Your Answer should be filed with the Division, attention Pam Radzinski, P.O. Box 146760, Salt Lake City, Utah 84114-6760. A copy of your Answer should also be mailed to the Division's attorney, Jeff Buckner, Assistant Attorney General in the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City Utah 84114-0872, telephone (801) 366-0310.

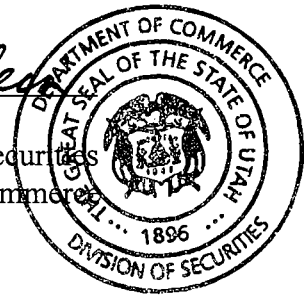
A hearing date has been set for Monday, July 31, 2006, at 10:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2<sup>nd</sup> Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

**DATED** this 26<sup>TH</sup> day of June, 2006.

  
WAYNE KLEIN  
Director, Division of Securities  
Utah Department of Commerce



**Certificate of Mailing**

I certify that on the 28<sup>TH</sup> day of June, 2006, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Royal American Management LLC  
1178 S. State Street  
Orem, UT 84057

Certified Mail # 70051820000202595783

Theodore L. Hansen  
225 W. 4500 N.  
Provo, UT 84604

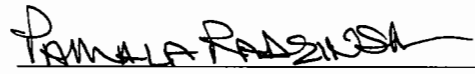
Certified Mail # 70051820000202595790

Royal American Real Estate Holdings LLC  
1178 S. State Street  
Orem, UT 84057

Certified Mail # 70051820000202595806

Charles W. Hanna  
577 S. 470 E. #3  
Springville, UT 84663

Certified Mail # 70051820000202595813

  
Executive Secretary